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SUBJECT: SPS POST-MORTEM: PLAYERS, MOTIVES, AND DEBT
FORGIVENESS

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Classified By: Political Minister-Counselor Alice Wells;
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11. (C) Summary: Since the Union of Right Forces (SPS) announced October 3 that it would dissolve and merge with the Democratic Party and Civil Force, details have emerged about the party's re-invention as a loyalist opposition party. SPS Acting President Leonid Gozman and other SPS activists described the transformation as President Medvedev's initiative, implemented by Deputy Chief of Staff Surkov, which SPS had to accept in the wake of massive debts and continued political irrelevance. In contrast, former Energy Minister Vladimir Milov surmised that Kremlin Deputy Chief of Staff Vladimir Surkov devised SPS's transformation as a bid to retain his own political relevance. Opposition parties that have since merged with Duma parties or merged into the new SPS will have their broadcasting debts forgiven. SPS's Gozman emphasized the intra-party opposition to working with the Kremlin and maintained chances were "50-50" that he would succeed in dissolving SPS at its November 15 party congress. SPS dissidents may merge with staunchly anti-Kremlin opponents at a December 13 "democratic opposition" summit.
End Summary.

Medvedev Ordered SPS Into Kremlin Orbit

12. (C) In an October 8 meeting, SPS Acting President Leonid Gozman maintained that driving the Kremlin's negotiations over the formation of a new "opposition" party was Medvedev's desire to create a political vehicle for 2012 that was independent of Putin. Noting that Medvedev did not like him personally, Gozman said nevertheless it was on Medvedev's direct orders that Kremlin Deputy Chief of Staff Surkov engaged in the detailed negotiations over what shape the SPS-Democratic Party-Civil Force merger would take. Acknowledging that Surkov was also behind the propagation of United Russia as the single, hegemonic political party, Gozman said recent developments demonstrated Surkov's flexibility in adapting to the demands of his new master, Medvedev.

13. (C) From the outset, Surkov made it clear that SPS would be a "minority shareholder" in the political project, but with certain protections. The three co-chairmen -- Gozman, Civil Force's Boris Titov, and Democratic Party's Georgiy Bovt -- would agree on the party platform by consensus and a two-thirds vote would be required for any party initiative, with each member enjoying the right to dissent publicly from decisions they did not support. SPS can appoint one-third of the regional leaders, with "the Kremlin getting the rest." While SPS wanted the two other parties to merge with it, the Kremlin insisted that all three parties dissolve as the price for having their outstanding debts wiped away; in practice, the disappearance of both SPS and Civil Force reduces the

number of registered political parties that other opposition leaders could attempt to hijack in a bid to oppose the Medvedev/Putin tandem. Whether or not the new party will be registered would essentially be a Kremlin decision, Gozman admitted, and the first test of whether SPS had been bamboozled in its effort to serve as the constructive opposition. SPS was able to levy some demands of its own, securing the resignations of Democratic Party leader Bogdanov and Civil Force's Barshchevskiy, with Gozman calling the former a "joke" and the latter a "political hitman" for agreeing to serve as a Kremlin foil against SPS in the 2007 Duma elections.

¶14. (C) Aleksey Kara-Muza, of the SPS politburo, separately told us October 3 that the decision to create a "Kremlin" party of what he referred to as "liberal-conservatives" came from Medvedev. Putin was opposed to such a plan, Kara-Muza noted, and essentially was content with liberal players within United Russia. Medvedev, however, apparently wanted his own small party, which would not be "Medvedev's party" in the way that United Russia was Putin's, but which Medvedev would use to his own ends. In addition, the new party could serve as a handy political strawman or scapegoat in times of trouble, all the while headed by a "new Chubais" -- a sensible, pragmatic, economically smart guy who would say the unpopular things that needed to be said. According to Kara-Muza, Chubais himself had long been a Medvedev supporter (even when Sergey Ivanov appeared in line to become president), and had helped to push the idea, as had Kremlin advisor Igor Yurgens. Kara-Muza confirmed Gozman's assertion that Chubais stipulated that Bogdanov and Barshchevskiy had to go.

Milov: Surkov As &Regulator of the Political Market8

¶15. (C) Former Energy Minister Vladimir Milov offered a variation on the SPS's unspooling that cast Medvedev as architect, and Surkov as implementor. Surkov is the "regulator of the political market," Milov contended, who needed to maintain his relevance after the end of the 2007-08 election cycle. Accordingly, Milov surmised, Surkov decided to increase his political prestige by convincing his superiors that liberal parties continued to pose a threat. In this way, Surkov would buy himself at least one more year of relevance as the Kremlin's guardian against liberal democratic threats.

¶16. (C) Milov told us that Surkov's absorption of SPS would prove unwise since it "frees SPS's more radical membership" to join other opposition factions. Under the status quo, such radicals had been balanced or drowned out by SPS's more loyalist members. Milov deemed "naive" arguments that the "new" SPS would provide a liberal voice inside the political sphere, since in the Kremlin "the elevator only goes down." The popularity of the new SPS, Milov concluded, will be determined by the Kremlin: "Percentages that the new party needs in the elections can always be written in."

Why Now? All (Debt) is Forgiven

¶17. (C) Bankruptcy and political irrelevance were the motivating factors in Gozman's decision to reinvent SPS, which was blessed by SPS elder statesmen Anatoliy Chubais and Yegor Gaidar. SPS was out of money, and according to Gozman was reduced to renting Moscow office space in the industrial zone -- "a part of the city that no one from our class had ever visited before." A minimum of 100,000 USD per month was required to keep the national operation going. With SPS failing to win representation in the 2007 Duma and unable to secure a place on any of the ballots in the October 12 regional elections, the party was on the "brink of extinction." With the Kremlin deal comes access to airtime, a possible infusion of "administrative resources," and a green light for supporters to make contributions without fear of political retribution. What a difference a Kremlin deal makes: Gozman, fresh from an interview with REN-TV, fielded

calls throughout our meeting from journalists and SPS supporters. Gozman will reprise his RAO UES role as adviser to Chubais, taking up office at Rosnanotech, whose multi-billion ruble budget will no doubt underwrite other activities of the new party (Ref B).

¶8. (C) Another benefit for parties agreeing to Kremlin suzerainty is the erasure of broadcasting debts. These substantial debts accumulated when the law required parties that failed to win Duma seats to reimburse television channels for the free airtime they had received. Even for small parties these debts were massive; for example, the Agrarian Party, which voted October 10 to merge with United Russia, amassed a 170 million ruble (approximately 6.8 million USD) debt. The Green Party and the Party of Social Justice also will have their debts forgiven upon their mergers with Just Russia. On October 9, Democratic Party leader Andrey Bogdanov told us that the Kremlin had absolved his party of its debts, since "members are not responsible for the party's debts." Gozman told *Kommersant* October 8 that laws requiring parties to pay for free broadcasts were "barbaric," and SPS would not have to pay existing debts to broadcasters.

¶9. (C) Election officials and broadcasters, however, do not favor debt forgiveness. Central Election Commission Secretary Nikolay Konkin told *Kommersant* that debts will be recovered or else parties may risk losing free airtime in future elections. (Note: Television channels may request arbitration to recoup party debts, which if approved would require payment of debts. However, if the government already has agreed to forgive party debts then it is unlikely that channels will recover any funds. End Note.)

Additional Costs (and Benefits) for Winners and Losers

¶10. (C) Compliance with the Kremlin comes at a cost to Gozman, both reputational and personal. Gozman has been savaged by many within the liberal community, in particular by former SPS leader Boris Nemtsov and former Energy Minister Milov, who issued a public letter September 29 castigating Gozman as a quisling for leading SPS as a "Kremlin puppet." The next day, Gozman publicly rebutted the collaborator charge by reminding Nemtsov that they are of "one blood" and "both hated the communists" of the Soviet Union. Acknowledging the name-calling, Gozman said there would be a stiff fight leading up to the November 15 SPS Congress, and he gave his chances of successfully dissolving the party as only fifty percent. The merger, while healthy for the party over the long-term, would result in many immediate losers, with two-thirds of regional leaders sidelined. Gozman evinced little interest in the criticism from Garry Kasparov, saying that he and his ilk were "Bolsheviks" seeking Russia's demise in the name of democracy.

¶11. (C) Nikita Belykh thus far has not publicly criticized Gozman for usurping SPS leadership, and he has repeatedly told press that he stepped down voluntarily from SPS as a matter of conscience. Belykh told press that the party had run out of money. *Novaya Gazeta* reported October 6 Belykh's claim that people stopped contributing to SPS in November 2007, "after Putin's Luzhniki speech" in which Putin announced his new position as head of United Russia. After that, according to Belykh, he was SPS's sole funding source. Unwilling to accept Kremlin conditions, Belykh resigned from SPS on September 26. Such "clowning around in politics," he told *Novaya Gazeta*, would have been "categorically indefensible." Belykh predicted that about one-third of SPS members would follow him out the door.

Comment

¶12. (C) The transformation of SPS into a loyalist Kremlin-aligned party should be completed at the party's November 15 congress. With a little money and some promises (including that Bogdanov will have a "good chance" of being

elected to the Moscow city council in 2009) the Kremlin/United Russia may have bought itself peace on the cheap -- for now. The party's "true" opposition members likely will follow Belykh to the December 13 democratic opposition congress (Ref A), which will seek to house disparate opposition elements under one roof. The rump SPS under Gozman, Bovt, and Titov likely will be registered and offered the television and radio airtime that eluded SPS in the past. How the Kremlin uses the new SPS (as loyalist sock puppet, political strawman, or something else), and in the shorter term how the Kremlin's responds to the December 13 congress, will signal how much opposition space Medvedev and Putin will allow in Russia's future. Despite incoming SPS co-chair Georgiy Bovt's October 2 assurance at a press conference that "the regime did not impose any restrictions" on the party, the opposite almost certainly will be true.

RUBIN